

LAW OFFICES OF
KELLER ROHRBACK L.L.P.

LAURIE B. ASHTON ① ⑤ ⑥ ⑧ ⑨
IAN S. BIRK
JAMES A. BLOOM ① ⑤
STEPHEN R. BOATWRIGHT ① ⑤
KAREN E. BOXX ⑤
GRETCHEN FREEMAN CAPPIO
ALISON CHASE ① ④ ⑤
T. DAVID COPLEY ③
ALICIA M. CORBETT ① ④
ROB J. CRICHTON ②
MAUREEN M. FALECKI ④
JULI FARRIS ④ ⑤
RAYMOND J. FARROW
ERIC J. FIERRO ① ⑤
ALISON S. GAFFNEY
GLEN P. GARRISON ⑥
LAURA R. GERBER
MATTHEW M. GEREND
DEIRDRE P. GLYNN LEVIN

GARY A. GOTTO ① ⑤ ⑧
BENJAMIN GOULD ④ ⑥
GARY D. GREENWALD ① ④ ⑤
MARK A. GRIFFIN ③
AMY N.L. HANSON ⑦
IRENE M. HECHT
SCOTT C. HENDERSON
HOLLY E. HINTERBERGER
MICHAEL G. HOWARD
AMY E. HUGHES
KHESRAW KARMAND ② ⑤
DEAN N. KAWAMOTO ④ ⑤
RON KILGARD ① ② ⑤ ⑧ ⑨
SUSAN A. KIM ④ ⑥
KATHRYN M. KNUDSEN
DAVID J. KO
ERIC R. LALIBERTE
BENJAMIN J. LANTZ
CARI CAMPEN LAUFENBERG

ELIZABETH A. LELAND
MICHAEL M. LICATA
TANA LIN ⑦ ⑧ ⑤
DEREK W. LOESER
RYAN McDEVITT
IAN J. MENSHER
GRETCHEN S. OBRIST
ROBERT S. OVER ③ ⑤
DAVID S. PREMINGER ① ③
ERIN M. RILEY ⑦
ISAAC RUIZ
DAVID J. RUSSELL
MARK D. SAMSON ① ⑤ ⑧ ⑨
LYNN LINCOLN SARKO ⑤ ⑦
WILLIAM C. SMART
THOMAS A. STERKEN
KARIN B. SWOPE
HAVILA C. UNREIN ④ ⑧
MARGARET E. WETHERALD ⑤

HARRY WILLIAMS, IV ⑤
AMY WILLIAMS-DERRY
MICHAEL WOERNER
BENSON D. WONG
DIANA M. ZOTTMAN

① ADMITTED IN ARIZONA
② ADMITTED IN CALIFORNIA
③ ALSO ADMITTED IN ARIZONA
④ ALSO ADMITTED IN CALIFORNIA
⑤ ALSO ADMITTED IN COLORADO
⑥ ALSO ADMITTED IN IDAHO
⑦ ALSO ADMITTED IN ILLINOIS
⑧ ALSO ADMITTED IN MARYLAND
⑨ ALSO ADMITTED IN MICHIGAN
⑩ ALSO ADMITTED IN MONTANA
⑪ ADMITTED IN NEW YORK
⑫ ALSO ADMITTED IN NEW YORK
⑬ ALSO ADMITTED IN OHIO
⑭ ALSO ADMITTED IN OREGON
⑮ ALSO ADMITTED IN TEXAS
⑯ ALSO ADMITTED IN WASHINGTON, D.C.
⑰ ALSO ADMITTED IN WISCONSIN
⑱ NOT ADMITTED IN WASHINGTON
⑲ OF COUNSEL

November 4, 2013

Peter Vessenes
CLI Holding, Inc.
900 Winslow Way East, Suite 100
Bainbridge Island, WA 98110

Re: CLI Holding, Inc. dba Alydian, Inc. ("Alydian") Chapter 11 Representation

Dear Peter:

This letter will confirm the basis upon which we have agreed to represent Alydian. It contains a description of our basic billing and administrative procedures. I am also enclosing our Standard Terms of Engagement for your review.

I. SCOPE OF SERVICES

1.1 Alydian has hired Keller Rohrback L.L.P. to represent it in connection with a chapter 7 or chapter 11 case. Alydian may instruct Keller Rohrback LLP to file a chapter 7 or 11 case for Alydian in the Western District of Washington (the "Representation").

1.2 Keller Rohrback L.L.P. has conducted a conflict of interest check within our office to determine whether representing Alydian in this matter creates either an ethical or a business conflict. Presently, no conflict of interest appears to exist, but if Keller Rohrback L.L.P. subsequently learns that an adversarial situation exists between Alydian and other clients or a conflict impairs our ability to adequately represent you, Keller Rohrback LLP reserves the right to withdraw from Representation.

■ KELLER ROHRBACK L.L.P. 1201 THIRD AVENUE, SUITE 3200, SEATTLE, WASHINGTON 98101-3052, TELEPHONE: (206) 623-1900, FAX: (206) 623-3384 ■
KELLER ROHRBACK L.L.P. 770 BROADWAY, 2ND FLOOR, NEW YORK, NEW YORK 10003, TELEPHONE: (646) 495-6198, FAX: (646) 495-6197
KELLER ROHRBACK L.L.P. 1129 STATE STREET, SUITE 8, SANTA BARBARA, CALIFORNIA 93101, TELEPHONE: (805) 456-1496, FAX: (805) 456-1497
KELLER ROHRBACK P.L.C. 3101 NORTH CENTRAL AVENUE, SUITE 1400, PHOENIX, ARIZONA 85012, TELEPHONE: (602) 248-0088, FAX: (602) 248-2822
WWW.KELLERROHRBACK.COM

II. COMMUNICATION

2.1 Alydian will work cooperatively with Keller Rohrbach LLP, including but not limited to: providing requested information or documents; attending meetings, hearings, or evaluation sessions; access to files relevant to this matter; and making decisions in connection with the case as needed.

2.2 Alydian will notify Keller Rohrbach LLP of any change of address or telephone number, and of any change in facts that may affect the progress of the Representation.

III. FEES AND COSTS

3.1 Alydian has paid an initial retainer of \$9,833 which shall be applied to legal fees for the Representation, plus the chapter 11 filing fee of \$1,213, for a total of \$11,046. Legal fees for attorney Deirdre Glynn Levin will be billed at the rate of \$375 per hour. Legal assistant Darla Marshall will be billed at the rate of \$100 per hour. Fees will be billed commencing the telephone conference on October 29, 2013 with litigation counsel Roger Townsend.

3.2 Upon Keller Rohrbach LLP's receipt of all or any portion of the retainer fee, the funds will be placed in a trust account. The fact that Alydian has paid a retainer in advance does not affect its right to terminate the client-lawyer relationship. In the event our relationship is terminated before the agreed-upon legal services have been completed, Alydian may or may not have a right to a refund of a portion of the fee.

3.3 All payments for legal fees are due as set forth in paragraph 3.1. In the event that the full fee is not paid, Keller Rohrbach LLP may withdraw from the Representation.

3.4 Alydian will be responsible for all costs, such as costs of filing fees, records, transcripts, and other costs associated with this Representation. Keller Rohrbach LLP will consult with Alydian before incurring any expenses over \$200 for which Alydian will be responsible.

IV. TERMINATION OF REPRESENTATION

4.1 Alydian may terminate Representation at any time by notifying Keller Rohrbach LLP. Keller Rohrbach LLP will not be responsible for costs incurred by Alydian after it has terminated the attorney-client relationship.

4.2 Keller Rohrbach LLP reserves the right to withdraw from Representation of Alydian subject to court rules and the ethical restrictions imposed upon lawyers by the Washington Rules of Professional Responsibility.

4.3 In the event our relationship is terminated before the agreed-upon legal services have been completed, Alydian may or may not have a right to a refund of a portion of the fee.

KELLER ROHRBACK L.L.P.

Page 3

Very truly yours,



Deirdre P. Glynn Levin

COMPLETE AND BINDING AGREEMENT

This represents the entire agreement between Alydian and Keller Rohrback LLP. By signing below, Alydian acknowledges it has carefully reviewed and understood this agreement. Alydian acknowledges that Keller Rohrback LLP has made no representations about the outcome of any litigation or bankruptcy case. Alydian expressly understands and acknowledges the limitations. If this agreement reflects your understanding of our relationship, please sign and return one copy of this agreement.

CHI Holdings, Inc. dba Alydian Inc.

By: 

Peter Vessenes

Its Director

Enclosure

N:\CLIENTS\29744\1\CORRESPONDENCE\ENGAGEMENT110113.DOC

KELLER ROHRBACK^{LLP}

STANDARD TERMS OF ENGAGEMENT

The following are our Standard Terms of Engagement. Unless a separate engagement letter to you alters the standard arrangements below, these terms will apply to all matters for which you engage us.

Fees: In most cases, fees will be based on the amount of time spent by lawyers and paralegals, and in some instances by law clerks. Each lawyer, paralegal and law clerk in our firm has an hourly billing rate, and the rate multiplied by the number of hours spent on a project is usually the basis for determining our fee. Hourly billing rates are reviewed annually, normally in January, and are subject to change. The firm also undertakes legal representation, by mutual written consent of the clients and the firm, under alternative billing arrangements, including contingent or flat fees.

Work Assignments: The lawyer you principally deal with may assign parts of your work to other lawyers or other personnel in the firm. We assign tasks among lawyers, paralegals, and law clerks in an effort to match the requirements of the assignment to the special skills and experience of the individual to whom the task is assigned. It is our goal to provide prompt, cost-effective service consistent with our high quality standards.

Invoices: Invoices will normally be prepared monthly for work done during the previous month. Invoices will identify services provided, as well as expenses incurred and other charges to your account. Expenses include, but are not limited to, charges for long distance telephone, copying, overnight mail, delivery and for handling documents and/or electronic information. Expenses also include travel costs and fees charged by service providers, experts and attorneys in other locations, if needed. In litigated matters, expenses include payments we make for process servers, court reporters, witness fees and similar items. We also charge for the use of computerized legal research and other systems that significantly reduce lawyer time. We may request that certain costs be billed directly to you.

Payment: Payment will be due on receipt of our invoice. Payment should be made by check or draft in United States dollars payable to the firm. For your convenience, and with prior approval, we also accept payment by VISA and MasterCard. (Please call our accounting office to arrange to pay by credit card.) The firm reserves the right to impose a late fee of 1% per month on accounts not paid within thirty days of the date of the invoice.

Dispute Resolution: If you dispute the amount of an invoice for services and costs, we will work with you to resolve the dispute. If the dispute cannot be resolved in that manner, you agree that the firm may submit the dispute to mediation and/or binding arbitration in Seattle, Washington, pursuant to the applicable rules of the Washington State Bar Association, JAMS, or the American Arbitration Association.

Communications: Confidentiality of communications is an important part of our commitment to our clients. Consequently, we have practices and procedures in place to protect ourselves and our clients from an inappropriate release of confidential information. Please be reminded, however, that email, cell phone and internet based communications are not as secure as traditional telephone, overnight or courier service or U.S. mail. If you have specific concerns in this regard, please speak with the attorney you are working with.

Discharge and Withdrawal: You may discharge us, and we may withdraw as your attorneys (subject to our ethical obligations and judicial requirements), at any time with or without cause. If you

STANDARD TERMS OF ENGAGEMENT

discharge us or we withdraw, you agree to promptly pay for our services, expenses, and disbursements on your behalf through the date of discharge or withdrawal.

Retainers: It is our normal practice in connection with certain matters to ask clients to deposit a retainer. If a retainer is requested in connection with your matter, the amount will be specified in a separate engagement letter, and unless otherwise stated in that separate engagement letter, we will not begin to represent you until we receive the retainer. The retainer will be applied against the monthly invoice, or at the conclusion of the matter, depending on the type of matter. The unused balance, if any, will be refunded. The retainer is not intended to be an estimate of the total charge for our work on the matter.

Records: Our set of the documents associated with your matter will be archived and securely held for seven years after the closure of the file. *At the end of that seven year period your records will be destroyed without further notice to you.* You may request a copy of Keller Rohrbach's file on your matter any time before the last month of the seventh year. We will have the file copied by a professional copy service at your expense.

Ethical Obligations: We observe the ethical rules governing the legal profession, including the requirements to maintain client confidences and to avoid improper conflicts of interest. Our representation of a client on a particular matter does not commence until we have reviewed our records to verify the absence of any improper conflict of interest and we confirm the absence of a conflict to you. In seeking our representation on a matter, you agree that (i) if we accept the representation, we are under no obligation to disclose to you information provided by an adverse party who may also have sought our representation, and (ii) if we decline the representation, we may nonetheless represent another client with interests adverse to yours.

Scope of Representation: By virtue of our representation of you, the firm does not represent any constituent or affiliated organization, including a parent or subsidiary. Pursuant to Washington Rule of Professional Conduct Rule 1.7, Keller Rohrbach is not barred from accepting representation adverse to an affiliate in an unrelated matter unless we have agreed in writing to separately represent such affiliate organization.

Firm Organization: Keller Rohrbach is organized as a limited liability partnership (an "LLP"). Our use of the LLP structure does not limit the firm's liability for services performed by any of our lawyers or limit the liability of individual lawyers for their own acts or omissions. It does protect from liability members of our firm for services they do not personally perform or directly supervise and control.

Choice of Washington Law: These Terms of Engagement shall be construed under the laws of the State of Washington, exclusive of Washington law regarding choice of law.

Questions: If you have questions regarding the foregoing or our invoices, please feel free to ask.

KELLER ROHRBACH[®]

1201 Third Avenue, Suite 3200
Seattle, Washington 98101-3052
(206) 623.1900